



**Government of the Republic of Trinidad and Tobago
Office of the Prime Minister**

Address

By

Dr. The Honourable Keith Rowley

Prime Minister of the Republic of Trinidad and Tobago

At

**The Signing of The Heads of Agreement with ALNG
Shareholders On The Restructuring of Atlantic LNG**

December, 2022

Salutations

- The Honourable Stuart Young, Minister of Energy and Energy Industries and Minister in the Office of the Prime Minister.
- Mrs. Penelope Bradshaw-Niles, Permanent Secretary, Ministry of Energy and Energy Industries.
- Representatives from the Ministry of Energy and Energy Industries.
- Mr. Mark Loquan, President, NGC
- The Chairman and Board members of the NGC
- Mr. Eugene Okpere – Senior Vice President and Country Chair of Shell
- Mr. David Campbell, President, bpTT
- Members of Atlantic shareholding companies – the NGC, Shell and BP
- Executives of Atlantic LNG
- Members of the Board of the Energy Chamber
- Other distinguished Government Officials
- Members of the media
- Ladies and gentlemen

It is my pleasure to announce the signing of the Amended and Restated Heads of Agreement between the Government of the Republic of Trinidad and Tobago and Atlantic LNG Shareholders, Shell Trinidad and Tobago Limited (Shell), BP Trinidad and Tobago LLC (BPTT) and the National Gas Company of Trinidad and Tobago Limited on the Restructuring of the Atlantic LNG facility into a single unitized facility and to the Bilateral Heads of Agreement between the Government of the Republic of Trinidad and Atlantic LNG Shareholders BPTT and Shell on the Restructuring of Atlantic LNG. These agreements indicate that the Government and the Shareholders have agreed to the commercial terms of a restructured Atlantic LNG.

Our arrival at this point is a testimony to the good faith by all parties and the commitment of the shareholders to the restructuring of Atlantic LNG. The process commenced in 2018, when Government initiated discussions with the country's major gas producers BP Trinidad and Tobago LLC and Shell Trinidad

and Tobago Limited on gas related issues. One major objective of the negotiations with BPTT and Shell was an agreement by the parties to restructure Atlantic LNG.

In March 2019, the shareholders of Atlantic LNG signed a letter of intent affirming their willingness to agree to discuss with Government the restructuring of Atlantic LNG. In April 2020, the shareholders submitted a proposal to Government to commence negotiations on a Heads of Agreement which was to be followed by definitive agreements. Following intensive negotiations agreement was reached on a Heads of Agreement (HOA).

On January 25th of 2022 the Government and Atlantic LNG Shareholders signed the HOA that outlined the governing principles referred to as the Government Principles that will form the basis of the Definitive Restructuring Agreements for the restructuring of Atlantic LNG. The HOA represented a commitment by all parties to commit to enter into good faith negotiations regarding the restructuring of the Atlantic Facility into

a unitized model with a common ownership structure, a commercial framework for gas supply and offtake, and transitioning of the Atlantic Facility into a single Unitized Facility. This has never been done before. These negotiations and agreement are unprecedented, this has not happened anywhere in the world before.

The HOA also outlined the Government Principles which formed the guidelines of the negotiations that took place over the last eleven months. These negotiations have been taking place at a time where the global energy market is in a crisis brought on by the lingering effects of the Covid-19 pandemic, geopolitics, including the war in Europe, and the global movement towards a low carbon economy. Given the magnitude of this exercise and the fact that such restructuring is novel in the energy sector meant that the negotiations were complex. The original schedule also did not cater for complications associated with the bilateral commercial negotiations between Government and Shell and

BPTT pursuant to competition law. As a consequence, the original projected date of June 30, 2022 for the execution of Definitive Agreements was always very ambitious and unfortunately could not be met.

Notwithstanding, we have made significant headway, as the Government and the ALNG Shareholders after months of difficult negotiations, have come to agreement on positions regarding substantial issues such as the term and conditions of the licence, participation in the new entity, the new shareholding of Atlantic LNG, the commitment to gas supplies for the Trains, third party access and other critical commercial arrangements.

In connection with these objectives, the Parties have agreed to amend and restate the original HOA dated January 25, 2022 with agreed terms of the Definitive Restructuring Agreements in the substantive issues which have been built on the Government Principles and the Commercial Construct forged by the parties. It is the intention that these substantial issues and other issues

under negotiation, on conclusion of settling complex and extensive legal documents, will be represented by binding Definitive Restructuring Agreements which are projected to be executed by March 31, 2023.

In parallel with the negotiations with ALNG Shareholders, the GORTT Empowered Team entered into negotiations with BPTT and Shell separately on commercial issues in order not to breach any competition law. After many hours of negotiations over many months, the Government has separately agreed in principle on certain commercial issues regarding the ALNG Restructuring Project with BPTT and Shell (the “**Bi-Lateral Principles**”), which will be reflected in the relevant Definitive Restructuring Agreements on the finalization of the restructuring legal documents projected to be completed by March 31, 2023. These issues are the subject of separate bilateral Heads of Agreements which are being executed with GoRTT contemporaneously with

the Amended and Restated HOA between Government and ALNG Shareholders.

The commitment of the ALNG Shareholders to the restructuring process and ultimately the execution of Definitive Agreements is a clear testimony of the confidence of BPTT and Shell in the domestic energy sector. This confidence did not come about by chance but through the deliberate engagement by Government, at the highest levels, out of the Office of the Prime Minister working with the Ministry of Energy and Energy Industries, with upstream companies operating in our domestic energy sector. Given the importance of the domestic energy sector to the economy of Trinidad and Tobago our approach has been to engage the decision makers at their Board Rooms whether in Houston, Melbourne, London or The Hague. This strategy has now been shown to be successful.

This movement towards the sustained development of our domestic energy sector got its fillip in 2018 at the Spotlight on

Energy. As the Government, we provided a Report to the population on the state of the energy sector and our strategy for its recovery. This included maximizing value through collaboration and creation of the appropriate environment to put us back on the path to sustained growth in the sector. We told our citizens and the major stakeholders that whilst we are happy to see investment in our country pay good dividends to the investor shareholding we also needed to see better returns for the people of Trinidad and Tobago through a process of respectful negotiations. It was never going to be an easy task but we were determined to do it based on a foundation of mutual respect and understanding.

Our strategy has been effective as upstream investment has been significant, averaging approximately US\$1.54 billion per annum for a total investment of US\$7.7 billion for the period 2017 to 2021. The preliminary figures for the period 2022 to 2026 indicate an upstream investment in excess of US\$5.0 billion.

Our major gas producer BPTT is projected to expend some US\$2.4 billion over the period 2022 to 2025. Government has facilitated the company continuing upstream activity with the grant of ten year licence extensions to its South East Coast exploration and production licences commencing with the South East Galeota Licence in 2018 and in 2020 its 91 Teak, Samaan and Poui licences and the East Mayaro Licence. In consideration of the extension of these licences and the settlement of outstanding legacy issues the State benefitted in the sum of TT\$1.0 Billion and it is projected that we will benefit by an additional US\$250 million by September 2024 due to the modernization of the exploration and production licences.

Shell, the other upstream producer has also sought to consolidate its upstream capacity. In 2019 the company received approved for the field development and marketing plans for its Colibri project comprising Block 22 and NCMA 4 and its Barracuda Project comprising Block 5c, this led to significant increased production by Shell. In addition, Government granted extensions to the year

2030 to its East Coast Production Sharing Contracts comprising Block 5a, Block 6b, Block 6d and Block E and to year 2035 in respect of NCMA 1 Block. In consideration of the extension of the licences and settlement of outstanding legacy issues the State has to date benefitted in the sum of over TT\$4.0 Billion.

In 2021 a Production Sharing Contract was granted to Shell in respect of Sub-block 6D, (the Manatee Field) which was consequent on the Government to Government Agreement where we negotiated with the Government of Venezuela to allow the delinking of the Trinidadian field from the Venezuelan field (Loran). The key terms and conditions of the agreement include the duration of the Production Sharing Contract for a period of 25 years and marketing arrangements in which gas to the domestic market will be via NGC and exports via Atlantic LNG facilities.

The consolidation and expansion of resources by BPTT and Shell serve to optimize the capacity available for the production of LNG and to satisfy domestic requirements. Notwithstanding, the

welcome continued active participation of BPTT and Shell, we have agreed that there is opportunity for other third party gas producers to participate for the first time in our LNG facilities either through the affiliate of one of the shareholders or as participant in its own right. Given the value that can be derived in LNG it is an incentive to all upstream producers to intensify their efforts to maximize their natural gas production. This is a major and progressive move that will benefit us in Trinidad and Tobago as, for the first time, it allows third party access to Atlantic LNG.

One of the major issues that has been of concern to the Government is the value accruing to the State from the monetization of our country's gas resources, in particular LNG. In 2018 we agreed with both BPTT and Shell on a pricing arrangement for LNG, the Train 1 FOB price. This pricing formula is based on three market reflective prices, namely one-third Brent, one-third JKM and one-third NBP. It was further agreed that new marketing arrangements would adopt this pricing as compared to

Henry Hub, on which most LNG marketing arrangements were based, and to a lesser extent the Spanish market power price. This arrangement has benefitted Trinidad and Tobago in certain arrangements that we have as a result of our negotiations coming out of 2018/2019.

From inception in 2018 the Train 1 FOB price maintained on average a US\$2.0 per mmbtu differential over Henry Hub. However by the commencement of fiscal 2022 this differential had increased to US\$6.0 per mmbtu and rose as high as US\$16.0 per mmbtu in fiscal 2022. The combination of improved global energy prices, new marketing arrangements for LNG and measures introduced by this Government, as well as contracts negotiated in our downstream Petchem sector have resulted in energy revenue for fiscal 2022 of over \$29.0 billion compared to an average of \$10.0 billion for the preceding five-year period. Whilst higher commodity prices are part of the basis for this increased revenue,

it is also directly related to the better terms that have been negotiated since 2017.

In the Amended and Restated HOA the parties have agreed in principle to formulae which are market reflective and are patterned on the Train 1 FOB Pricing Formula. This is consistent with the objective in the Government Principles of the HOA that the people of Trinidad and Tobago receive a fair and equitable return for our resources and the shareholders earn commercially reasonable levels of profit commensurate with the degree of commercial risks assumed by such entities. The full impact of the benefit to the country of the proposed pricing will become apparent on the completion of the restructuring and the full commercialization of the restructured entity. However based on the current FOB Price the revenue that would accrue to Government could amount to double that of the earlier arrangements.

The new ALNG structure will see a greater involvement by the State in the supply and marketing of LNG. Until now, all marketing of the Minister's share of natural gas in Production Sharing Contracts was undertaken by the operator, on behalf of the Minister (GOTT). In the recently executed Manatee Field PSC with Shell, the Minister will be taking a more active role in the marketing of natural gas to be produced from that field. NGC, which will have a new and increased shareholding in the new Atlantic LNG structure, will benefit from this variation in the marketing of the Minister's share of production. This shift in policy enables the State to play a more in-depth role in the commercial arrangements for the marketing of LNG which will be consistent with the actions of most gas exporting countries.

The restructuring of Atlantic LNG has come at a time when there is a tightening of the LNG market caused by low supply growth and increasing competition between Asia and Europe resulting in elevated LNG prices. S&P Global Platts in its November 3, 2022

Global 5 Year Forecast has predicted that growth in LNG supply will be slow in the near term before accelerating in three to five years with the coming on stream of new capacity, primarily from North America and the Middle East. Overall supply is projected to remain in equilibrium with demand over the period 2022 to 2027. The Price Outlook for the medium term is mixed with prices in Asia and Europe to remain supported to 2024 but expected to come under pressure with the next wave of liquefaction expected by 2027. The projection of various LNG markers prices show that the European and Asian Marker prices are least US\$9 per mmbtu higher than Henry Hub ranges over the period 2022 to 2027. This has vindicated the movement away from Henry Hub in the new marketing arrangements for Trinidad and Tobago LNG.

The Restructuring of Atlantic LNG has given us the opportunity to reinvent the LNG Business in Trinidad and Tobago. I am pleased with the co-operation of the ALNG Shareholders in progressing this project and I trust that we can speedily conclude the final

legal documentation. However, the restructuring exercise is just one, although important element, of the process, equally important is the gas supply. At present, we have several upstream projects either with the ALNG Shareholders or third parties which are awaiting Final Investment Decision. If we are to make this Project a success we need to bring these upstream projects on stream and accessible to the Restructured ALNG Facility. As a Government we are prepared to intervene if necessary but hope that the parties will take an accommodating stance without jeopardizing their commercial interests.

We have shown that we are a strategic and proactive Government in the energy sector and I assure all of our stakeholders that we will continue to work with you to ensure that we remain a leading and competitive province.

In closing I wish to recognize the substantial work undertaken by the Shareholders and the Government's Empowered Negotiating

Team in bringing the Restructuring of Atlantic LNG to this juncture.

I would like to thank BP and Shell for working with the Government to achieve this milestone and for continuing to see Trinidad and Tobago as a place to invest and to partner with. It has been a long and at time difficult journey but we have demonstrated that through the principles of fairness and mutual respect we can all achieve fair and good returns.

I also take this opportunity to thank the hard working staff at the Ministry of Energy and Energy Industries and NGC who have worked tirelessly to ensure that the people of Trinidad and Tobago obtain better returns and the continuation of our LNG business by making this restructuring a reality.

I look forward to the culmination of the execution of the Definitive Agreements by March 31, 2023 and to a bright future for all the shareholders of Atlantic LNG, which include all those of the

investing group as well as the resource-owning people of Trinidad and Tobago, together we can all prosper.

I thank you.